



## Urgent issues push Boeing CEO search

A new jetliner to sell; busy rival to fend off

By Julie Johnsson  
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Boeing Co. finds itself without a permanent CEO at a time when decisive leadership is critical.

Harry Stonecipher's abrupt resignation last week amid scrutiny of his brief extramarital affair with a subordinate leaves the aerospace giant in turmoil as it grapples with a fleet of critical issues.

The vacuum at the top comes at a time of impending decisions on a growing trade controversy, the launch of a brand-new jetliner and the fate of an aging aircraft line that Boeing proposes to convert into tankers for the U.S. Air Force.

At stake: Boeing's ability to keep pace with archrival Airbus SAS, which eclipsed Boeing as the world's No. 1 aircraft maker and is a growing threat on defense contracts, including the tanker deal.

Companies with the size and complexity of \$52.46-billion Boeing typically take three to six months to replace a chief executive, says Thomas Kolder, a Boeing alumnus who's president of Crist Associates, a Hinsdale executive recruiting firm.

Yet Boeing directors don't have the luxury of a typical search. Any confusion over the company's strategy could harm Boeing's recent resurgence and its stock, which continues to trade around \$58, prices not seen since 2001.

"They have to move fairly rapidly," says Paul Nisbet, aerospace analyst with investment firm JSA Research Inc. in Providence, R.I. Given that interim CEO James Bell has limited operating experience, "There is a sense of urgency in getting the right person in there."

### NO STRONG ADVOCATE

During his 15-month stint as CEO, the hard-driving Mr. Stonecipher installed a new code of ethics, beefed up Boeing's aircraft salesforce, shrunk its manufacturing and cut funding to programs with dim commercial prospects, such as a satellite-based air traffic control system.

Mr. Stonecipher also prompted the U.S. government to challenge the EU's deep subsidies of aircraft development at Airbus, a long-simmering trade dispute. A 90-day cease-fire on the trade feud expires next month. His departure leaves Boeing without a strong company advocate to prod the Bush administration to litigate the dispute before the World Trade Organization.

"It can't help," says Joel Johnson, vice-president for international affairs at the Aerospace Industries Assn.

Other pressing concerns:

### TURBULENT TIMELINE

**Sept. 4, '01** Boeing Co. moves to Chicago from Seattle, the city where it was founded in 1916.

**Sept. 11, '01** Terrorists use Boeing planes to attack World Trade Center towers and Pentagon. Company shares drop more than 40% within two weeks of the attacks and aircraft orders for 2001 fall 45%.

**Oct. 26, '01**  
Lockheed Martin Corp. beats Boeing for the



- Keeping sales and funding on track for the 787, which Boeing is slated to launch in 2008. Boeing once hoped to have 200 orders for the new jet by the end of 2004; it missed that target, but now has 64 firm orders and 129 options to buy after a flurry of deals in recent weeks.

"It would be devastating if that thing falls behind schedule," says Chris Lozier, equity analyst with Chicago's Morningstar Inc.

- Determining the fate of the 767, a 1980s-era commercial jet that Boeing proposed to convert into military tankers. Funding for the tanker program has been pushed back to 2008, while commercial 767 sales are drying up.

Boeing must decide whether to mothball its 767 production line, at a cost of hundreds of millions of dollars, or close it completely and risk losing the tanker contract to Airbus.

- Deciding whether to pursue Connexion, Boeing's broadband for jetliners. Mr. Stonecipher put the program on notice last year that it needed to prove it could be profitable. Sales have proven elusive, so far.

Boeing officials are accelerating a CEO search that was nominally under way already, since Mr. Stonecipher, 68, had planned to leave the company next year.

"I don't want to put a time frame around it," Boeing Chairman Lewis Platt said last week during a conference call, promising to "do a thorough search and complete it as quickly as possible."

## CEO CONTENDERS

Industry observers say the CEO contenders include: James Albaugh, who heads Boeing's \$30.47-billion defense division; Alan Mulally, Boeing's commercial aircraft chief; 3M Co. CEO James McNerny; David Calhoun, chief executive of General Electric Co.'s transportation business, and — admittedly a long shot — former U.S. Secretary of State Colin Powell.

Candidates need a spotless reputation, familiarity with commercial aviation and defense industries and Beltway clout — plus the vision and chutzpah to make huge decisions.

"The bets you make in this industry are big ones," says Mr. Kolder, the headhunter. "You push a lot of poker chips to the center of the table when you decide to invest in an A380 or 787."

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\$200-billion contract to build the military's new Joint Strike Fighter.

**July 24, '03** The Pentagon bans Boeing from bidding on military satellite launching contracts, to punish it for stealing trade secrets from Lockheed Martin. Ban later lifted.

**Sept. 17, '03** Pentagon investigates Darleen Druyun, a former U.S. Air Force procurement official hired by Boeing. Ms. Druyun later admits steering contracts to Boeing.



**Nov. 24, '03** Boeing fires Ms. Druyun and CFO Michael Sears, who negotiated Ms. Druyun's hiring while she was in position to influence Boeing contracts. In October '04, Ms. Druyun is sentenced to nine months in jail for her role; in February '05, Mr. Sears gets four months.



**Dec. 1, '03** CEO Philip Condit resigns over the scandals. Retired Boeing executive Harry Stonecipher takes over, sternly vowing to set the ethics bar high. On Dec. 2, the Pentagon sidelines plans to lease 100 air-refueling tankers from Boeing in a deal that drew harsh criticism in Congress.



**Jan. 15, '04** Airbus SAS overtakes Boeing as the world's largest commercial jetmaker.



**March 7, '05** "Hatchet" Harry Stonecipher gets the ax himself after he admits to an affair with a female Boeing executive.